B8130-1-4

The KSA Perspective
Published by Kurt Salmon Associates June 1992

# Textile profile for 1991

*After a poor first half, some signs of recovery.*

After 18 terrible months, the textile industry is waking up from a nightmare. The first half of 1991 was so grim for many of the companies in KSA's Textile Profile that some abandoned talk of financial results in their letters to stockholders, and focused instead on a safer subject – people and productivity. Since then, things have begun to look up, and glimpses of a better picture are reflected in this year's Profile.

Combined sales for the 30 public companies in fiscal 1991 actually declined from the previous year. The total was $13.6 billion, a 1.8% drop from 1990. Eleven out of the 30 companies lost money. Operating earnings dropped 8.8%, and profits were halved to 0.5% of sales, the lowest since KSA began publishing Profiles in 1972. (See chart.) Even without *Burlington Industries'* $68.5 million loss, return on sales for the group would have been only 1.2%.

For many public textile firms, 1991 was the worst year in their history. Apparel sales and domestic manufacturing were off. Consumers delayed auto purchases and sharply curtailed their spending on new homes as well as replacement furnishings. Textile producers saw cotton prices rise sharply, and several major retail accounts of home products suppliers struggled in reorganization and bankruptcy.

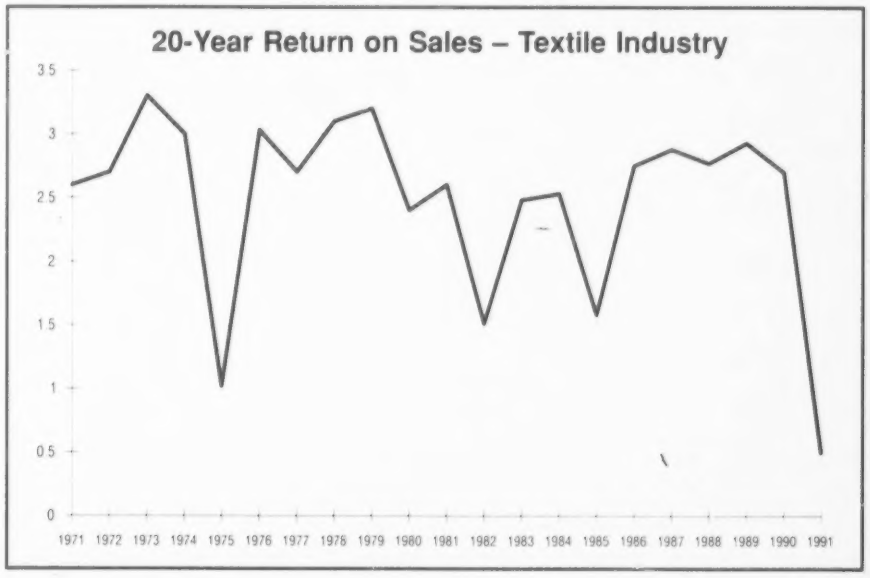
As if lower sales weren't bad enough, many producers found their profit margins further eroded by operating costs and debt service. Interest expense for the group stood at 4.2% of sales, a slight decline from 1990, but still two-and-a-half times what it was in 1987.

### Finding the Real Winners

What separates the real winners from the also-rans is a recession. In the best of economic times, even mediocre companies can post sales gains. Often, these firms are running well below capacity. When a boom hits, their output and sales gains increase dramatically. Meanwhile, the best managed companies may record lower sales gains because they are already running close to capacity and the uptick is hardly noticed.

The list below shows the five companies whose sales grew more than 10% in fiscal 1991. Four of these five companies were also top performers. The exception, *Texfi*, earned $13 million before a one-time extraordinary charge. When a company increases its sales amid the many cutbacks in a recessionary environment, it means the firm is a preferred supplier in its market, offering the best service, best products, or best value. These companies should be saluted.

| Sales Gains 1991 vs 1990 | |
|---|---|
| Crown Crafts -H | +19.4% |
| Delta Woodside -F | 17.8 |
| Texfi -F | 17.4 |
| Unifi -Y | 10.8 |
| Fab Industries -F | 10.5 |

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# Sales and Earnings

| SALES RANK 1991 | 1990 | Company | Sales ($000) | Net Income ($000) |
|---|---|---|---|---|
| 1 | 1 | Burlington Industries 09/91-D | 1,925,752 | –68,615 |
| | | 12/91 | 1,948,163 | –15,844 |
| 2 | 2 | Springs Industries 12/91-D | 1,890,406 | 27,097 |
| 3 | 3 | Shaw Industries 06/91-H | 1,607,757 | 33,051 |
| | | 12/91 | 1,618,923 | 35,985 |
| 4 | 5 | Fieldcrest Cannon Inc 12/91-H | 1,212,436 | 3,165 |
| 5 | 6 | WestPoint-Pepperell, Inc. 12/91-H | 1,203,281 | –640 |
| 6 | 4 | Dominion Textile, Inc 06/91-CAN | 1,130,105 | –114,513 |
| 7 | + | JPS Textile Group 11/91-P | 760,989 | –8,638 |
| 8 | 7 | Cone Mills Corp. 12/91-P | 632,964 | –24,816 |
| 9 | 11 | Delta Woodside Industries 06/91-F | 590,019 | 23,950 |
| | | 12/91 | 663,793 | 34,837 |
| 10 | 8 | Interface, Inc 12/91-H | 581,786 | 8,921 |
| 11 | 10 | Guilford Mills 06/91-F | 528,778 | 15,917 |
| | | 12/91 | 568,011 | 17,366 |
| 12 | 9 | Dixie Yarns Inc 12/91-Y | 491,952 | –26,417 |
| 13 | 12 | Peerless Carpet Corp. 02/91-CAN | 453,669 | 12,957 |
| 14 | 14 | Unifi Inc 06/91-Y | 441,826 | 38,271 |
| | | 12/91 | 756,364 | 36,067 |
| 15 | 13 | Salem Carpet Mills 12/91-H | 396,017 | –4,815 |
| 16 | 16 | Texfi Industries 10/91-F | 322,250 | –14,325 |
| | | 01/92 | 332,148 | –10,493 |
| 17 | + | Mohawk Industries, Inc. 12/91-H | 278,924 | 6,392 |
| 18 | 15 | Horizon Ind Inc 09/91-H | 278,387 | –1,262 |
| | | 12/91 | 289,511 | –382 |
| 19 | 19 | Ruddick Corp. 09/91-C | 208,649(2) | 22,589§ |
| 20 | 18 | Thomaston Mills 06/91-D | 201,538 | 9 |
| | | 12/91 | 230,597 | 4,509 |
| 21 | 20 | Concord Fabrics, Inc 08/91-F | 197,827 | 783 |
| | | 02/92 | 200,158 | –86 |
| 22 | + | Forstmann & Company, Inc. 10/91-F | 194,622 | –9,537 |
| 23 | 22 | Fab Industries 11/91-F | 185,560 | 15,488 |
| 24 | 17 | Carolina Mills 09/91-D | 178,782 | 7,555 |
| | | 12/91 | 191,033 | 9,625 |
| 25 | 21 | Culp, Inc. 04/91-F | 174,107 | 2,901 |
| | | 01/92 | 180,783 | 2,775 |
| 26 | 23 | Belding Heminway 12/91-D | 140,740 | 2,125 |
| 27 | 26 | Crown Crafts Inc 03/91-H | 121,905 | 6,714 |
| | | 12/91 | 123,480 | 5,918 |
| 28 | 25 | Carriage Industries Inc 06/91-H | 119,121 | 1,499 |
| | | 12/91 | 119,463 | 973 |
| 29 | 24 | Johnston Industries 06/91-F | 117,315 | –1,028 |
| | | 12/91 | 126,713 | 1,308 |
| 30 | 27 | Louisville Bedding Co 12/91-H | 102,537 | 2,174 |
| 31 | 28 | CrownAmerica 08/91-Y | 58,792 | –485 |
| | | 02/92 | 57,103 | –1,606 |
| 32 | 30 | Burke Mills Inc 12/91-Y | 19,784 | 109 |
| 33 | 29 | Decorator Industries, Inc. 12/91-H | 18,072 | –126 |
| 34 | + | Frenchtex, Inc. 07/91-H | 15,679 | –206 |
| 35 | 31 | Dash Industries Inc 11/91-H | 14,487 | –1,806 |
| | | **Sales Total** | **16,796,815** | |

+ Unavailable § Operating Earnings (2) American & Efird Sales
H = Home Consumer Products, Y = Yarn, F = Fabrics, D = Diversified, C = Conglomerate, P = Private, CAN = Canadian Co. (converted to US dollars)
Where available, quarterly data have been added to show latest 12 months' performance.
Where previous years' figures have been restated by a company, they are not reflected in the Profile.

### *Capital Expenditures*

Many textile producers who were at the end of five- and six-year capital improvement cycles seemed to be in the best position to meet the demands of a longer than expected recession.

Those companies have learned that continuous investment is essential to remaining competitive; however, the past year of tight cash flow and excess capacity generally stunted capital spending in the textile industry.

(In fiscal 1990, capital expenditures as a percent of sales reached an all time high. As predicted here, a poor profit year led to a drop in capital investment in 1991. The composite ratio of capital expenditures to sales fell to 3.9% last year – a minimum to remain competitive and meet environmental and safety requirements.)

The last quarter of 1991 offered a glimmer of hope, however. Although the general economy remained moribund, textiles felt some faint stirrings, and these have carried over into 1992. Those companies whose fiscal years closed in December showed marked improvement over those with earlier closings. When subsequent quarterly data were added to those early closers' numbers (see Sales and Earnings chart), improvement was confirmed, particularly in fabrics.

Some bright spots did emerge. Yarn producer *Unifi* earned the highest (11.8%) operating earnings, in the

### *Additions to the Profile*

The Textile Profile added five companies this year - *Burlington Industries, Frenchtex, Forstmann and Co., Mohawk Industries,* and *WestPoint-Pepperell*. Four had appeared in previous Profiles in one form or another. While sales and earnings of *Burlington* and *WestPoint-Pepperell* were reported last year, their data were not part of composite totals. These companies have been included in the complete Profile this year. *Mohawk*, the result of a management buy-out of *Mohasco's* carpet division in 1988, recently went public, as did *Forstmann*, the former woolen and worsted division of *JP Stevens*, and *Frenchtex*.

| COMPANY | RETURN ON SALES % | 91 | 90 | RETURN ON TOTAL EQUITY % | 91 | 90 |
|---|---|---|---|---|---|---|
| BELDING HEMINWAY 12/91-D | 1.51 | 12 | 15 | 4.66 | 13 | 18 |
| BURKE MILLS INC 12/91-Y | 0.55 | 15 | 23 | 1.36 | 16 | 23 |
| BURLINGTON INDUSTRIES 09/91-D | -4.04 | 25 | 24 | 0.00 | # | # |
| CAROLINA MILLS 09/91-D | 4.23 | 4 | 6 | 9.95 | 8 | 8 |
| CARRIAGE INDUSTRIES INC 06/91-H | 0.65 | 14 | 10 | 4.73 | 12 | 10 |
| CONCORD FABRICS, INC 08/91-F | 0.40 | 16 | 8 | 2.50 | 15 | 5 |
| CROWN CRAFTS INC 03/91-H | 5.51 | 3 | 3 | 19.60 | 3 | 3 |
| CROWNAMERICA 08/91-Y | -0.82 | 21 | 19 | -3.04 | 22 | 20 |
| CULP, INC. 04/91-F | 1.67 | 10 | 13 | 6.05 | 10 | 13 |
| DASH INDUSTRIES INC 11/91-H | -12.47 | 27 | 26 | -89.94 | 26 | 24 |
| DECORATOR INDUSTRIES, INC. 12/91-H | 0.74 | ++ | 17 | -2.51 | ++ | 16 |
| DELTA WOODSIDE INDUSTRIES 06/91-F | 4.06 | 5 | 11 | 13.87 | 6 | 14 |
| DIXIE YARNS INC 12/91-Y | -5.16 | 26 | 14 | -18.70 | 25 | 15 |
| FAB INDUSTRIES 11/91-F | 8.35 | 2 | 2 | 14.15 | 5 | 7 |
| FIELDCREST CANNON INC 12/91-H | 0.26 | 17 | ++ | 1.30 | 17 | ++ |
| FORSTMANN & COMPANY, INC. 10/91-F | -0.20 | ++ | 25 | -73.21 | ++ | 25 |
| FRENCHTEX, INC. 07/91-H | -1.91 | 24 | 22 | -11.27 | 24 | 22 |
| GUILFORD MILLS 06/91-F | 2.56 | 6 | ++ | 8.94 | 9 | ++ |
| HORIZON IND INC 09/91-H | -0.45 | 20 | 21 | -2.36 | 21 | 21 |
| INTERFACE, INC 12/91-H | 1.53 | 11 | 5 | 4.48 | 14 | 6 |
| JOHNSTON INDUSTRIES 06/91-F | -0.88 | 22 | 12 | -1.94 | 20 | 19 |
| LOUISVILLE BEDDING CO 12/91-H | 2.12 | 8 | 18 | 13.31 | 7 | 12 |
| MOHAWK INDUSTRIES, INC. 12/91-H | 2.29 | 7 | 9 | 33.51 | 1 | 1 |
| SALEM CARPET MILLS 12/91-H | -1.22 | 23 | 20 | -7.64 | 23 | 17 |
| SHAW INDUSTRIES 06/91-H | 2.06 | 9 | 4 | 16.11 | 4 | 2 |
| SPRINGS INDUSTRIES 12/91-D | 1.43 | 13 | ++ | 4.76 | 11 | ++ |
| TEXFI INDUSTRIES 10/91-F | -1.78 | ++ | 16 | -49.22 | ++ | 11 |
| THOMASTON MILLS 06/91-D | 0.00 | 18 | 7 | 0.01 | 18 | 9 |
| UNIFI INC 06/91-Y | 8.66 | 1 | 1 | 27.27 | 2 | 4 |
| WEST POINT-PEPPERELL, INC. 12/91-H | -0.05 | 19 | ++ | -0.05 | 19 | ++ |

entire Profile. Like *Unifi*, those companies with dominant market positions were best able to withstand the recession. In the process, they took market share from weaker sisters.

### Sector Results

Sales were down in two of the four industry sectors of this year's Profile. However, cost cutting lessons learned from previous years, and sound strategic positioning, enabled top performers to increase their profits on sometimes meager sales gains.

Of the four sub-industry groups, the Fabrics sector showed the largest sales gain (7%), Home Consumer Products stayed even, and net sales for both Yarn and Diversified declined. Profits followed suit, but even the improvements in Home Consumer Products and Fabrics were so slight that those sectors remain lackluster.

### Home Consumer Products

Three out of the Profile's five top performers are members of this sector. *Mohawk Industries* led the entire Profile in ROE with 34%, and ranked seventh in Return on Assets. A recent Initial Public Offering, *Mohawk* ranks fourth among the 30 companies in leverage, with a 4:1 debt to equity ratio. *Crown Crafts* and *Shaw* have sustained long track records with 5-year ROE averaging 25% and 22% respectively.

Despite slowed consumer spending and major retailers' financial difficulties, *Crown Crafts* enjoyed a sales gain of 19% and its fifth consecutive year of rising earnings. *Shaw* also went ahead with a 9% gain, to $1.6 billion, and *Louisville* pushed over the $100-million mark with a similar rise. The rest of the home products companies (with the exception of newcomer *Frenchtex*) stayed flat or lost ground in 1991. Investment in state-of-the-art equipment and new facilities to increase capacity and reduce costs pushed capital spending to over $6 million for *Crown Crafts*.

### Diversified

In this cluster of five companies, there were more negatives than positives as sales in the sector fell 8% from 1990. Especially hard hit were those companies with early fiscal closings – June and September – whose figures do not reflect activity towards the end of the calendar year when orders began to flow. The large drop in sales for the group was mainly due to *Burlington's* disposal of *Masland's* automotive carpet operation in 1990.

In the Profile, *Carolina Mills* moved from Yarn to Diversified because of its broader product mix (58% yarn, 39% fabric, 3% furniture) and earned top performer status in this category with a 10% ROE. While *Carolina Mills'* sales dropped 11%, cutbacks on costs and SG&A enabled the company to record a gain in profit. Capital investments bought flexibility in plants and systems, and *Carolina* was ready to ship when apparel makers decided to buy domestically in the third and fourth quarter. The company's fiscal

### What the Ratios Mean

**Return on Sales**: Earnings after tax as shown on the income statement divided by sales and reported as a percentage. (Note that income net of extraordinary items is used.)
**Return on Total Equity**: Net income divided by total equity and reported as a percentage.
**Total Debt to Assets**: Total debt is the sum of current, long-term, and deferred liabilities. Customarily termed the debt ratio.
**Return on Total Assets**: Net income divided by total assets and reported as a percentage.
**Sales to Total Assets**: Net sales divided by total assets (including intangibles).
**Inventory Turns**: Cost of goods sold divided by the average of beginning and ending total inventory.
**Return on Invested Capital**: Net income divided by total equity plus long-term debt and reported as a percentage.

## erformance Profile — Fiscal 1991

| TOTAL DEBT TO ASSETS | | | RETURN ON TOTAL ASSETS | | | SALES TO TOTAL ASSETS | | | GROSS PROFIT | | | OPERATING EARNINGS | | | INVENTORY TURNS | | | RETURN ON INVESTED CAPITAL | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % | 91 | 90 | % | 91 | 90 | | 91 | 90 | % | 91 | 90 | % | 91 | 90 | | 91 | 90 | % | 91 | 90 |
| 0.52 | 19 | 17 | 2.26 | 11 | 17 | 1.49 | 18 | 18 | 31.44 | 3 | 3 | 4.27 | 16 | 15 | 3.18 | 26 | 27 | 3.04 | 12 | 19 |
| 0.34 | 27 | 26 | 0.90 | 16 | 25 | 1.63 | 16 | 15 | 9.84 | 24 | 30 | 1.97 | 22 | 28 | 9.09 | 3 | 4 | 1.06 | 16 | 25 |
| 1.13 | 1 | 1 | -3.58 | 25 | 23 | 1.01 | 27 | 26 | 15.43 | 21 | 19 | 8.16 | 5 | 8 | 5.23 | 16 | 12 | -4.40 | 24 | 23 |
| 0.30 | 28 | 28 | 6.96 | 4 | 5 | 1.65 | 14 | -10 | 9.68 | 26 | 28 | 7.01 | 8 | 10 | 7.79 | 6 | 3 | 9.05 | 5 | 6 |
| 0.62 | 12 | 11 | 1.79 | 13 | 12 | 1.42 | 19 | 22 | 23.24 | 4 | 4 | 4.05 | 19 | 11 | 4.15 | 20 | 22 | 2.44 | 13 | 11 |
| 0.61 | 13 | 13 | 0.96 | 15 | 7 | 2.43 | 2 | 3 | 19.29 | 10 | 9 | 2.48 | 21 | 13 | 6.60 | 10 | 7 | 1.81 | 15 | 5 |
| 0.48 | 21 | 21 | 10.22 | 3 | 2 | 1.86 | 12 | 12 | 21.05 | 7 | 7 | 9.74 | 4 | 1 | 3.27 | 25 | 24 | 12.61 | 3 | 1 |
| 0.44 | 24 | 23 | -1.71 | 23 | 18 | 2.08 | 8 | 6 | 3.49 | 30 | 29 | -2.55 | 29 | 27 | 15.07 | 2 | 1 | -2.66 | 22 | 17 |
| 0.46 | 23 | 21 | 3.27 | 10 | 10 | 1.96 | 10 | 9 | 15.54 | 20 | 18 | 2.91 | 20 | 23 | 7.21 | 7 | 11 | 4.48 | 10 | 10 |
| 0.77 | 6 | 7 | -20.49 | 27 | 26 | 1.64 | 15 | 20 | 35.25 | 1 | 1 | -8.87 | 30 | 29 | 1.49 | 30 | 29 | -30.40 | 27 | 26 |
| 0.38 | 25 | 25 | -1.55 | ++ | 11 | 2.23 | 5 | 4 | 22.95 | 5 | 14 | 1.33 | 26 | 24 | 8.06 | 5 | 5 | -2.12 | ++ | 13 |
| 0.60 | 14 | 7 | 5.52 | 6 | 20 | 1.36 | 23 | 24 | 18.58 | 12 | 20 | 9.99 | 3 | 9 | 3.44 | 23 | 26 | 9.82 | 4 | 14 |
| 0.59 | 15 | 20 | -7.62 | 26 | 14 | 1.42 | 19 | 17 | 9.31 | 28 | 25 | 1.44 | 25 | 19 | 5.93 | 13 | 8 | -8.94 | 26 | 18 |
| 0.22 | 30 | 30 | 11.05 | 2 | 3 | 1.32 | 24 | 23 | 19.95 | 9 | 16 | 10.71 | 2 | 6 | 6.36 | 12 | 14 | 14.04 | 2 | 4 |
| 0.72 | 8 | 5 | 0.36 | 17 | ++ | 1.37 | 22 | 19 | 15.20 | 23 | 21 | 4.31 | 15 | 25 | 4.62 | 18 | 21 | 0.64 | 17 | ++ |
| 0.94 | 2 | 2 | -4.56 | ++ | 24 | 0.93 | 28 | 28 | 16.37 | 19 | 23 | 7.56 | 6 | 17 | 2.67 | 28 | 25 | -5.62 | ++ | 24 |
| 0.90 | 3 | 4 | -1.13 | 22 | 21 | 0.86 | 29 | 30 | 17.55 | 15 | 8 | 4.52 | 14 | 30 | 2.06 | 29 | 30 | -3.15 | 23 | 21 |
| 0.53 | 18 | 16 | 4.24 | 8 | ++ | 1.41 | 21 | 21 | 17.25 | 16 | 15 | 5.76 | 11 | 12 | 6.74 | 9 | 9 | 6.16 | 8 | ++ |
| 0.63 | 11 | 11 | -0.87 | 20 | 22 | 1.92 | 11 | 7 | 19.21 | 11 | 13 | 1.68 | 23 | 26 | 4.06 | 21 | 20 | -1.39 | 21 | 22 |
| 0.65 | 9 | 9 | 1.57 | 14 | 9 | 1.02 | 26 | 27 | 32.32 | 2 | 2 | 6.52 | 9 | 3 | 3.36 | 24 | 23 | 2.03 | 14 | 9 |
| 0.52 | 19 | 24 | -0.92 | 21 | 16 | 1.05 | 25 | 25 | 9.66 | 27 | 24 | 1.57 | 24 | 20 | 5.75 | 15 | 13 | -1.32 | 20 | 15 |
| 0.57 | 16 | 15 | 5.66 | 5 | 13 | 2.67 | 1 | 1 | 18.51 | 14 | 17 | 4.57 | 13 | 22 | 5.83 | 14 | 16 | 8.64 | 6 | 12 |
| 0.84 | 4 | 3 | 5.51 | 7 | 8 | 2.40 | 3 | 5 | 21.45 | 6 | 6 | 7.41 | 7 | 7 | 4.69 | 17 | 18 | 8.23 | 7 | 7 |
| 0.65 | 9 | 13 | -2.69 | 24 | 19 | 2.21 | 6 | 2 | 17.22 | 17 | 12 | 1.00 | 27 | 21 | 3.95 | 22 | 19 | -7.40 | 25 | 20 |
| 0.75 | 7 | 6 | 4.06 | 9 | 4 | 1.98 | 9 | 11 | 16.68 | 18 | 10 | 5.48 | 12 | 4 | 4.62 | 18 | 17 | 5.88 | 9 | 3 |
| 0.55 | 17 | 18 | 2.17 | 12 | ++ | 1.51 | 17 | 16 | 18.52 | 13 | 11 | 4.20 | 17 | 16 | 6.45 | 11 | 10 | 3.16 | 11 | ++ |
| 0.80 | 5 | 9 | -9.75 | ++ | 15 | 2.19 | 7 | 14 | 9.84 | 24 | 27 | 4.12 | 18 | 18 | 6.97 | 8 | 15 | -14.93 | ++ | 15 |
| 0.38 | 25 | 27 | 0.01 | 18 | 6 | 1.75 | 13 | 13 | 7.61 | 29 | 26 | 0.66 | 28 | 13 | 8.36 | 4 | 6 | 0.01 | 18 | 8 |
| 0.29 | 29 | 29 | 19.46 | 1 | 1 | 2.25 | 4 | 8 | 15.33 | 22 | 22 | 11.83 | 1 | 2 | 16.68 | 1 | 2 | 27.27 | 1 | 2 |
| 0.48 | 21 | 19 | -0.03 | 19 | ++ | 0.53 | 30 | 29 | 20.46 | 8 | 5 | 6.41 | 10 | 5 | 3.01 | 27 | 28 | -0.05 | 19 | ++ |

# Ratio could not be calculated due to negative or zero dividend and/or divisor ++ Extraordinary losses exceed 1% of net sales

### Classifications

Companies have been classified in the Yarn (Y), Fabrics (F), or Home Consumer Products (H) segments if textiles account for at least two-thirds of their sales volume, their primary product/market classification represents half of their textile volume, and it significantly exceeds any other single textile activity. Corporations with no single classification predominant in their product/market mix have been placed in the Diversified (D) category. Ruddick has been classified as a Multi-industry Conglomerate (C) because less than half of its sales comes from textiles, and that portion of its financial data could not be isolated for analysis.

year closed in September of 1991, and a review of quarterly reports since then indicates a continued rebound in sales.

*Burlington* returned to the Profile after a 5-year absence. While the company lost money, its operating performance was not at fault. Operating earnings were 8.2% of sales, the fifth highest in the Profile. By contrast, the last time *Burlington* appeared in the Profile in 1986, its operating earnings were only 4.3%. Interest on its huge debt load was $255 million, or 13.5% of sales. That makes carving out a profit difficult for any company.

### Fabrics

This group of eight companies bounced back from 1990 with a 7% increase in sales, and a 26% increase in operating earnings. However, miscellaneous expenses and a higher tax bill brought the group's after-tax profit down a peg, to 2.1% of sales. *Delta Woodside* led the pack with an 18% net sales increase, due in large part to the firm's defense contract for camouflage and other fabrics during the Persian Gulf War. With 21% of its business in apparel (Duck Head), the company was further cushioned against the textile industry's rough ride in 1991.

*Fab Industries*, a consistent top performer in these Profiles, increased its net sales 11%, and recorded an impressive 20% gross profit. *Fab* has a reputation for keeping its finger on the pulse of the market. The firm's updated styling and market responsiveness have been rewarded in tough economic times.

*Forstmann & Company*, known for its innovative wool fabrics, as well as various blends, is a newcomer to the Profile. The company recorded the third highest operating earnings (7.6%) in this group of fabric producers.

## Noteworthy Performances

### Return on Total Equity

| | 1991 % | 1987-91 % | 1987-91 Rank |
|---|---|---|---|
| 1 Mohawk Industries, Inc. | 33.51 | – | – |
| 2 Unifi Inc | 27.27 | 21.06 | 3 |
| 3 Crown Crafts Inc | 19.60 | 24.84 | 1 |
| 4 Shaw Industries | 16.11 | 22.26 | 2 |
| 5 Fab Industries | 14.15 | 12.18 | 7 |
| **Profile Composite** | **1.91** | | |
| **Median** | **2.50** | | |

### Return on Sales

*(Before extraordinary items)*

| | 1991 % | 1987-91 % | 1987-91 Rank |
|---|---|---|---|
| 1 Unifi Inc | 8.66 | 7.17 | 2 |
| 2 Fab Industries | 8.35 | 7.28 | 1 |
| 3 Crown Crafts Inc | 5.51 | 6.33 | 3 |
| 4 Carolina Mills | 4.23 | 4.42 | 5 |
| 5 Delta Woodside Industries | 4.06 | 4.23 | 6 |
| **Profile Composite** | **1.32** | | |
| **Median** | **.60** | | |

### Yarn

The Yarn category's net sales fell 3% in 1991, and other comparisons didn't do much better. Operating earnings fell from 6.1% of sales to 5.7%, and net income plummeted 67%. The decline in net income in this group is largely attributable to a one-time restructuring charge by *Dixie Yarns*. However, *Dixie* continued to show confidence in the future as it spent 7.8% of its sales on capital expenditures.

The leader in Yarn was *Unifi*, which had the second highest ROE (27%) in the Profile. In 20 years of business, *Unifi* has never lost money. Net sales increased 11%, operating earnings improved 35%, and net income increased 35%.

While examining *Unifi* in last year's Profile, KSA commented on its healthy, unleveraged balance sheet ready to take advantage of opportunities. *Unifi* has since acquired *Macfield*, which serves the men's and ladies' hosiery market, and has doubled its size.

### Clearing The Decks For Action

Most textile executives emerged from 1991 bruised and battered. It was the most difficult year for the industry at large since the 1974-75 recession, and may have been worse for some. Not only did sales and profits lag in a severe general recession, but textile companies had to learn to deal with a different soft goods business environment. Fewer but larger customers, a time-conscious market with new service demands, continued foreign competition, and the emergence of an international industry have changed the playing fields and the rules for textile competitors.

Many survivors who took the LBO route and weathered the frenzied '80s find themselves still swamped by debt, as can be seen in the Profile details. It will take some time for corporate financial officers to bail out their balance sheets and get on with the business of competing for share in a tighter, tougher market.

## Industry Sector Results and Top Performers

| Industry Sectors and Top Performers* | No. of Firms Reported | Sales ($000) | Net Income ($000) | Return on Sales % | Return on Total Equity % | Total Debt to Assets | Return on Total Assets % | Sales to Total Assets | Gross Profit % | Oper. Earn. % | Inv. Turns | Return on Invested Capital % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Home Consumer Products (H)*** | | | | | | | | | | | | |
| Mohawk | | 278,924* | 6,392 | 2.29 | 33.51 | .84 | 5.51 | 2.40 | 21.45 | 7.41 | 4.69 | 8.23 |
| 1991 | 13 | 5,950,389 | 53,061 | .88 | 2.58 | .61 | 1.02 | 1.14 | 19.37 | 5.14 | 3.96 | 1.68 |
| 1990 (FY '90 Profile: 10) | 13 | 5,945,253 | 19,004 | 1.69 | .91 | .61 | .35 | 1.11 | 20.46 | 6.34 | 4.74 | .57 |
| ***Yarn (Y)*** | | | | | | | | | | | | |
| Unifi | | 441,826 | 38,271 | 8.66 | 27.27 | .29 | 19.46 | 2.25 | 15.33 | 11.83 | 16.68 | 27.27 |
| 1991 | 4 | 1,012,354 | 11,478 | 1.24 | 3.76 | .48 | 1.97 | 1.73 | 11.61 | 5.75 | 8.65 | 2.47 |
| 1990 (FY '90 Profile: 5) | 4 | 1,043,780 | 35,536 | 3.16 | 10.11 | .42 | 5.83 | 1.71 | 11.78 | 6.15 | 8.63 | 7.28 |
| ***Fabrics (F)*** | | | | | | | | | | | | |
| Fab Industries | | 185,560 | 15,488 | 8.35 | 14.15 | .22 | 11.05 | 1.32 | 19.95 | 10.71 | 6.36 | 14.04 |
| 1991 | 8 | 2,310,478 | 34,149 | 2.14 | 5.38 | .60 | 2.15 | 1.46 | 16.36 | 6.45 | 4.91 | 3.21 |
| 1990 (FY '90 Profile: 6) | 8 | 2,167,049 | 8,972 | 2.32 | 1.48 | .61 | .57 | 1.39 | 15.25 | 5.46 | 4.99 | .86 |
| ***Diversified (D)*** | | | | | | | | | | | | |
| Carolina Mills | | 178,782 | 7,555 | 4.23 | 9.95 | .30 | 6.96 | 1.65 | 9.68 | 7.01 | 7.79 | 9.05 |
| 1991 | 5 | 4,337,218 | -31,829 | -.95 | -6.18 | .85 | -.91 | 1.25 | 16.70 | 5.91 | 5.80 | -1.20 |
| 1990 (FY '90 Profile: 4) | 5 | 4,706,462 | -89,360 | -.79 | -15.75 | .84 | -2.50 | 1.31 | 16.55 | 6.05 | 5.94 | -3.27 |
| ***Industry Totals*** | | | | | | | | | | | | |
| 1991 | 30 | 13,610,439 | 66,859 | .54 | 1.91 | .68 | .62 | 1.25 | 17.43 | 5.65 | 4.82 | .91 |
| 1990 (FY '90 Profile: 25) | 30 | 13,862,544 | 25,848 | 1.06 | .72 | .68 | .23 | 1.25 | 17.67 | 6.09 | 5.35 | .34 |

* Top performers had best return on equity ranking in each sector.

# Composite Profit and Loss Data — Textile Industry

| FISCAL PERIOD ENDING | 1991 | | 1990 | | 1989 | | 1988 | | 1987 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | PCT | $ | PCT | $ | PCT | $ | PCT | $ | PCT |
| Net Sales | 13610439 | 100.00 | 13862544 | 100.00 | 11942462 | 100.00 | 8870532 | 100.00 | 8061090 | 100.00 |
| -Cost of Goods Sold | 11238183 | 82.57 | 11413629 | 82.33 | 9672828 | 81.00 | 7189770 | 81.05 | 6526304 | 80.96 |
| Gross Profit | 2372256 | 17.43 | 2448915 | 17.67 | 2269634 | 19.00 | 1680762 | 18.95 | 1534786 | 19.04 |
| -Sell. Gen. & Admin | 1602779 | 11.78 | 1604887 | 11.58 | 1381159 | 11.57 | 1063959 | 11.99 | 956551 | 11.87 |
| Operating Earnings | 769477 | 5.65 | 844028 | 6.09 | 888475 | 7.44 | 616803 | 6.95 | 578235 | 7.17 |
| -Interest Expense | 568131 | 4.17 | 583904 | 4.21 | 416813 | 3.49 | 158216 | 1.78 | 134843 | 1.67 |
| Misc. Inc. or Exp. | -21278 | -0.16 | -31365 | -0.23 | 5443 | 0.05 | 37389 | 0.42 | 12909 | 0.16 |
| Income Before Tax | 180068 | 1.32 | 228759 | 1.65 | 477105 | 4.00 | 495976 | 5.59 | 456301 | 5.66 |
| - Income Tax | 106534 | 0.78 | 82081 | 0.59 | 185499 | 1.55 | 174608 | 1.97 | 203293 | 2.52 |
| Income After Tax | 73534 | 0.54 | 146678 | 1.06 | 291606 | 2.44 | 321368 | 3.62 | 253008 | 3.14 |
| Extraordinary Item | -6675 | -0.05 | -172526 | -1.24 | 707 | 0.01 | -17794 | -0.20 | 6870 | 0.09 |
| Net Income | 66859 | 0.49 | -25848 | -0.19 | 292313 | 2.45 | 303574 | 3.42 | 259878 | 3.22 |

| FLOW OF FUNDS ANALYSIS | | | | | |
|---|---|---|---|---|---|
| Working Cap at Start | 2222779 | 2359718 | 1902262 | 1843546 | 1523216 |
| Net Income | 66859 | -25848 | 292313 | 303574 | 259878 |
| Depreciation | 556063 | 523668 | 357237 | 251926 | 219749 |
| Change in L-T Debt | -179293 | 593595 | 1918896 | 243489 | 220309 |
| Change in Deferred | -16886 | 420797 | 96100 | -28450 | 68306 |
| Change in Pref Stk | -35026 | 27964 | 604 | 23400 | -500 |
| Change in Common | 53400 | 1576533 | 123339 | -5465 | 183074 |
| Dividends Paid | -79464 | -80786 | -244768 | -60746 | -51492 |
| Capital Expend | -533799 | -686850 | -519641 | -431115 | -298307 |
| Misc Assets Change | 133191 | -1114870 | -946983 | -115592 | -76328 |
| Misc Transactions | -100958 | -1371142 | -619641 | -122305 | -204359 |
| Working Cap at End | 2086866 | 2222779 | 2359718 | 1902262 | 1843546 |

### The Complete Profile

A full print-out covering fiscal years ending 1987 through 1991 is available for in-depth comparisons and study.

For each of the companies, as well as the industry segment composites and the total industry aggregate, the report contains a full financial statement, a balance sheet, shareholder value indicators, and a comprehensive list of ratios.

It contains approximately 175 pages and is available from KSA at a cost of $400. KSA also produces detailed 5-year profiles for the apparel ($400), footwear ($400), and retail ($500) industries.

### Disclaimer

The information presented in this Performance Profile was obtained from available annual reports made by public companies to their stockholders and to the Securities and Exchange Commission. While we believe the information furnished to be reliable, no representations are made as to the accuracy thereof. Kurt Salmon Associates assumes no responsibility for any errors in the Performance Profile, whether of omission or commission.

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Printed in U.S.A. - 6/92/3.5M